

Debtor's Ex. 7

FINANCIAL OVERSIGHT & MANAGEMENT BOARD
FOR PUERTO RICO



David A. Skeel, Jr.
Chair

Members

Andrew G. Biggs
Arthur J. González
Antonio L. Medina
John E. Nixon
Justin M. Peterson
Betty A. Rosa

BY ELECTRONIC MAIL

June 30, 2022

Honorable Pedro R. Pierluisi Urrutia
Governor
Commonwealth of Puerto Rico

Dear Governor Pierluisi Urrutia:

Pursuant to the Resolution, a copy of which is attached hereto as **Exhibit A** (the “Resolution”), adopted by the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), and in accordance with Section 202(e)(4) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), the Oversight Board hereby issues to the Governor this compliance certification that the fiscal year 2023 budget for the Puerto Rico Highways and Transportation Authority (“HTA”) identified in **Exhibit 1** hereto, as developed by the Oversight Board pursuant to PROMESA section 202(c)(2), is a compliant budget as set forth in the Resolution.

The Oversight Board looks forward to working with the Commonwealth and HTA to accomplish the requirements and goals of PROMESA for the benefit of the people of Puerto Rico.

Sincerely,

David A. Skeel, Jr.

Andrew G. Biggs
Arthur J. González
Antonio L. Medina
John E. Nixon
Justin M. Peterson
Betty A. Rosa

CC: Mr. Jaime A. El Koury
Hon Omar Marrero Díaz
Mr. Edwin González Montalvo
HTA Governing Board

EXHIBIT A

**FINANCIAL OVERSIGHT AND MANAGEMENT OVERSIGHT BOARD
FOR PUERTO RICO**

June 30, 2022

RESOLUTION CERTIFYING FISCAL YEAR 2023 BUDGET FOR HTA

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) was enacted; and

WHEREAS, Section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico (“the Board”); and

WHEREAS, on February 22, 2022, pursuant to Section 201(d)(2) of PROMESA, the Board certified a revised fiscal plan for HTA; and

WHEREAS, Section 202(c) of PROMESA establishes a multi-step procedure for the development, review, and approval of budgets for covered instrumentalities of the Commonwealth of Puerto Rico, such as the Puerto Rico Highways and Transportation Authority (“HTA”), providing that (i) the Governor must submit a proposed budget to the Board; (ii) the Board must review the proposed budget and determine, in the Board’s sole discretion, either that the proposed budget complies with the applicable fiscal plan or that it does not, in which case the Board must issue a notice of violation and recommended revisions, giving the Governor an opportunity to correct the violations; (iii) the Governor may then submit a revised proposed budget; and (iv) if the Governor fails timely to submit a proposed budget that the Board determines in its sole discretion is a compliant budget, the Board shall develop and submit to the Governor its own compliant budget; and

WHEREAS, by letter dated May 10, 2022, the Board, pursuant to Section 202(a) of PROMESA, provided notice of the schedule for developing, submitting, approving, and certifying a fiscal year 2023 budget for HTA, which schedule was subsequently revised by the Board; and

WHEREAS, on May 29, 2022, pursuant to Section 202(c)(1) of PROMESA, the Governor submitted a proposed fiscal year 2023 budget for HTA; and

WHEREAS, on June 10, 2022, pursuant to Section 202(c)(1)(B) of PROMESA, the Board provided the Governor a notice of violation for corrective actions of the proposed fiscal year 2023 budget for HTA; and

WHEREAS, on June 17, 2022, pursuant to Section 202(c)(1) of PROMESA, the Governor submitted a revised proposed fiscal year 2023 budget for HTA; and

WHEREAS, the Board thereafter determined that the revised proposed fiscal year 2023 budget for HTA did not reflect a compliant budget as required by Section 202(c)(2) of PROMESA; and

WHEREAS, the Board has developed a revised, compliant fiscal year 2023 budget for HTA for submission to the Governor pursuant to Sections 202(c)(2) and 202(e)(4) of PROMESA, which budget is attached hereto as Exhibit 1 (the “2023 Compliant HTA Budget”);

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT, pursuant to Sections 202(c)(2) and 202(e)(4) of PROMESA, the Board shall submit to the Governor the 2023 Compliant HTA Budget, and such budget shall be (i) deemed to be approved by the Governor, (ii) the subject of a compliance certification to be issued by the Board to the Governor, and (iii) in full force and effect beginning on July 1, 2022.

EXHIBIT 1 – REVENUES BUDGET
PUERTO RICO HIGHWAY AND TRANSPORTATION AUTHORITY

Section I. - Budget Overview

In \$ thousands	FY23 Budget
Toll Fare & Fine Revenues	219,215
Transit Revenues & Other Operating Income	15,541
Operating FTA funds	20,000
Operating Commonwealth Transfer	178,777
Total Operating Revenues	433,532
Commonwealth CapEx Funds	111,474
Federal CapEx Funds	377,005
Total Capital Revenues	488,479
Total Consolidated Revenues	922,011
Payroll & Pension Costs	59,052
Toll Highways Administration and Maintenance Costs	48,744
Tren Urbano & Feeder Bus Costs	83,972
Other Operating Costs	41,111
Total Operating Expenses	232,879
Federal Highway Construction Program Costs	268,945
Non-Federal Highway Construction Program Costs	93,477
Emergency Repair Construction Program Costs	72,412
Transit Construction Program Costs	39,753
Other Capital Costs	60,170
Total Capital Expenses	534,757
Reserve Deposits	100,383
Total Reserve Deposits	100,383
Total Consolidated Expenses	868,019
Balance	53,992

TOLL FARE & FINE REVENUES

In \$ thousands	FY23 Budget
Toll fare revenue from existing toll rates	149,794
Toll fare revenue from increased toll rates	18,622
Toll fare revenues from dynamic toll lanes (“DTL”)	5,566
Toll fare revenues from bi-directional tolling	2,287
Total Toll Fare Revenues	176,270
Toll fine revenue from existing fine rates	36,784
Toll fine revenue from tiered fine rates	6,161
Total Toll Fine Revenues	42,945
Total Toll Fare & Fine Revenues	219,215

TRANSIT REVENUES & OTHER OPERATING INCOME

In \$ thousands	FY23 Budget
Tren Urbano fare revenue	4,426
Feeder Bus fare revenue	574
Bus Rapid Transit “BRT” fare revenue	100
Total Transit Revenue	5,100
Other Operating income	10,441
Total Other Operating Income	10,441
Operating FTA funds	20,000
Total Operating FTA Funds	20,000
Total Transit Revenues & Other Operating Income	35,541

OPERATING COMMONWEALTH (“CW”) TRANSFER

In \$ thousands	Fiscal Plan Projections
Operating CW transfer	178,777
Total Operating CW Transfer	178,777

COMMONWEALTH (“CW”) CAPEX FUNDS

In \$ thousands	FY23 Budget
CW CapEx appropriation	53,761
Rollover state CapEx funds	57,713
Total CW Capex Funds	111,474

FEDERAL CAPEX FUNDS

In \$ thousands	FY23 Budget
FHWA Regular Funds	207,289
FHWA "IIJA" Highway Funds	16,656
FHWA "IIJA" Bridge Funds	45,000
Total Non-ER FHWA Funds	268,945
FHWA Emergency Funds	51,758
FEMA Emergency Funds	16,949
Total Federal Emergency Funds	68,707
FTA Regular Funds	37,753
FTA "IIJA" Funds	1,600
Total Transit Federal Funds	39,353
Total Federal CapEx Funds	377,005

PAYROLL & PENSION COSTS

In \$ thousands	FY23 Budget
Main salaries - non-construction	10,375
Healthcare costs - non-construction	2,329
Christmas bonus - non-construction	167
Early retirement costs - non-construction	6,101
Other labor costs - non-construction	1,649
Hiring initiatives - non-construction	2,214
Total non-construction salaries & related benefits	22,834
Main salaries - transit	375
Healthcare costs - transit	75
Christmas bonus - transit	5
Other labor costs - transit	39
Total transit salaries & related benefits	494
Pensions contributions	35,724
Administrative costs	-
Total pension costs	35,724
Total Payroll & Pensions Costs	59,052
<i>Total Payroll & Pension Cost – Including construction payroll</i>	88,059

TOLL HIGHWAY ADMINISTRATION AND MAINTENANCE COSTS

In \$ thousands	FY23 Budget
Variable electronic toll collection fees	24,000
Highway electricity costs	4,108
Highway Insurance Cost	2,921
Other toll highway administration & maintenance costs	17,715
Total Toll Highways Administration and Maintenance Costs	48,744

TREN URABANO & FEEDER BUS COSTS

In \$ thousands	FY23 Budget
Base fee for Tren Urbano operating contract	50,921
Other costs under Tren Urbano operating contract	1,500
Tren Urbano insurance costs	8,730
Tren Urbano electricity costs	9,824
Other regular Tren Urbano costs	69
COVID-19 special costs	550
Total Tren Urbano Costs	71,594
Base fee for Feeder Bus operating contract	10,004
Other costs under Feeder Bus operating contract	709
Bus rapid transit costs	1,467
COVID-19 special costs	198
Total Feeder Bus Costs	12,378
Total Tren Urbano & Feeder Bus Costs	83,972

OTHER OPERATING COSTS

In \$ thousands	FY23 Budget
Operational ROW payments	5,613
Non-Title III Professional Service Fees	9,956
Title III Professional Service Fees	10,000
Discretionary fund management team	300
Electricity costs	943
Water supply costs	514
Other operating costs	13,786
Total Other Operating Costs	41,111

FEDERAL HIGHWAY CONSTRUCTION PROGRAM COSTS

In \$ thousands	FY23 Budget
Hard costs for regular federal highway construction	244,450
Total federal highway construction hard costs	244,450
Federal soft costs for planning & compliance	24,495
Total federal highway construction soft costs	24,495
Total Federal Highway Construction Costs	268,945

NON-FEDERAL HIGHWAY CONSTRUCTION PROGRAM COSTS

In \$ thousands	FY23 Budget
Hard costs for Abriendo Caminos projects - Phase III	10,991
Hard costs for other non-federal highway construction projects	34,117
Local construction costs	9,500
Total non-federal highway construction hard costs	54,607
Soft costs for Abriendo Caminos projects - Phase III	1,384
Non-federal funded project-linked soft costs	26,685
CDBG-DR/MIT state soft costs	7,500
Capital ROW payments	3,300
Total non-federal highway construction soft costs	38,869
Total Non-Federal Highway Construction Costs	93,477

EMERGENCY REPAIR CONSTRUCTION PROGRAM COSTS

In \$ thousands	FY23 Budget
FHWA funded emergency repair costs	51,758
FEMA funded emergency repair costs	16,949
Local emergency repair costs	3,705
Total Emergency Repair Costs	72,412

TRANSIT CONSTRUCTION PROGRAM COSTS

In \$ thousands	FY23 Budget
Transit construction costs	39,753
Total Transit Construction Costs	39,753

OTHER CAPITAL COSTS

In \$ thousands	FY23 Budget
Main salaries - construction	17,487
Healthcare costs - construction	4,554
Christmas bonus - construction	326
Other labor costs - construction	2,719
Critical workers program - construction	1,536
Student internship program - construction	22
Hiring initiative - construction	2,364
Total construction salaries & related benefits	29,007
Toll optimization costs	27,088
Total toll optimization costs	27,088
Other construction program costs	1,575
Metropistas broadband project	2,500
Total other construction program costs	4,075
Total Other Capital Costs	60,170

RESERVE DEPOSITS

In \$ thousands	FY23 Budget
Reserve deposits for other operating reserve	86,983
Reserve deposits for unforeseen non-Title III litigation costs	6,000
Reserve deposits for revision to employee classifications	7,400
Total Reserve Deposits	100,383

EXHIBIT 1 – REVENUES BUDGET (cont.)

**ENFORCEMENT OF THE PUERTO RICO HIGHWAY AND
TRANSPORTATION AUTHORITY FY23 BUDGET**

Section II - All appropriations and expenditures authorized in any prior fiscal year are terminated and no disbursement of public funds may be covered by such expenditure authorizations, except: (1) expenditures to carry out capital improvements that have been accounted for and kept on the books; (2) capital expenditures and equipment expenditures with procurement cycles that extend beyond the end of the fiscal year that have been accounted for and kept on the books; (3) the portion of any other expenditures authorized in the Puerto Rico Highway and Transportation Authority (“HTA”) Certified Budget for the fiscal year 2022; and (4) the portion of the appropriations authorized for fiscal year 2022 that have been encumbered on or before June 30 of such fiscal year. This restriction on expenditures authorized in any prior fiscal year shall not apply to: (i) programs financed in whole or part with federal funds; (ii) orders by the United States district court with jurisdiction over all matters under Title III of PROMESA; and (iii) matters pertaining to any consent decree or injunction, or an administrative order or settlement entered into with a Federal Agency, with respect to Federal programs. In addition, the foregoing exceptions to the restrictions on expenditures authorized in any prior fiscal year are conditioned on the prior written approval of the Oversight Board.

Section III - The funds allocated to the “Reserve deposits for unforeseen non-Title III litigation costs” budget lines in Section 1 are to be kept in an interest-bearing account (separate from other accounts currently in use by HTA to conduct day-to-day operations). The Executive Director shall make monthly deposits (equal to 1/12th of the total amount) to fund the account as established in Section 1 up to the amounts provided therein. Any expenditure or use of the funds from the reserve account must be made in response to circumstances beyond HTA’s control which cause HTA to miss revenue targets and/or exceed expenditure targets. Such expenditures will require prior express and written authorization from the Oversight Board.

Section IV - The funds deposited to the “Reserve deposits for emergencies and unforeseen events” account are to be kept in an interest-bearing account (separate from other accounts currently in use by HTA to conduct day-to-day operations). Any expenditure or use of the funds from the reserve account must be made in response to circumstances beyond HTA’s control which cause HTA to miss revenue targets and/or exceed expenditure targets. Such expenditures will require prior express and written authorization from the Oversight Board.

Section V – The funds allocated for “Reserve deposits for revision to employee classifications” are to be kept in an interest-bearing account, separate from all other accounts currently in use by HTA, for the sole purpose of funding HTA’s Employee Reclassification Program. Any expenditure or use of the funds within such separate account will require prior express and written authorization from the Oversight Board.

Section VI - The funds allocated under the “Other Operating Reserve” are to be kept in an interest-bearing account, separate from all other accounts currently in use by HTA. Such account must be funded in compliance with the requirements set forth in the HTA Plan of Adjustment and New HTA Bonds Indenture and is to be used for the sole purpose of meeting the obligations specified in each of the HTA Plan of Adjustment and New HTA Bonds Indenture.

Section VII - On or before August 30, 2022, the Executive Director of HTA will provide to the Oversight Board a certification indicating whether there are any unused amounts of the fiscal year 2022 certified budget for items (1), (2), (3), and (4) of Section 2 and, if so, an itemization of such unused amounts.

Section VIII - Notwithstanding any other statement, no unused budget allotments from any previous fiscal year shall be used by HTA to fund current fiscal year expenditures, except as otherwise expressly authorized in writing by the Oversight Board after June 30, 2022.

Section IX - The appropriations approved in this budget may only be reprogrammed with the prior express written approval of the Oversight Board. For the avoidance of doubt, this prohibition includes any reprogramming of any amount, line item or expenditure provided in this budget, regardless of whether it is an intra-agency reprogramming. Reprogramming, also known as reapportionments, may be made into spend concepts and/or objects not explicitly listed in the FY2023 certified budget resolution as long as such requests are submitted to and approved in writing by the Oversight Board.

Section X - Pursuant to Section 203 of PROMESA, HTA must submit to the Oversight Board, no later than 15 days after the last day of each month of FY2023, a budget to actual report, along with an explanation of relevant variances as provided in the certified Fiscal Plan. The Oversight Board may determine to provide HTA a template to be used for such reporting, in which case any quarterly budget to actual reports submitted by HTA must be submitted consistent with such reporting template.

Section XI - The Executive Director of HTA shall be responsible for not spending or encumbering during FY2023 any amount that exceeds the authorized budget amounts. This prohibition applies to every budget amount authorized herein, including amounts for payroll and related costs. The Executive Director of HTA shall also certify to the Oversight Board by August 30, 2022, that no amount was spent or encumbered that exceeded the authorized budget amount in the certified budget for fiscal year 2022.

Section XII - The Oversight Board reserves the right to, in its sole discretion, issue a notice to the Governor, pursuant to PROMESA Section 202(a), setting forth a schedule for revising HTA's budget.

Section XIII - In conjunction with the reports required in these sections, a certification to the Oversight Board must be included stating (1) that no authorized budget amount of any previous fiscal year (except for those covered by the exceptions mentioned herein) has been used to cover any expenditure unless authorized by the express written approval of the Oversight Board.

Section XIV – The HTA Budget for FY2023 shall take effect on July 1, 2022.